

Redacted

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Tom Milan

HealthSouth

gpc 11/1/98

Post-It Fax Note	7571	Date	11/1/98	# of Pages	1
To	Jim Conway	From	E.Y.		
Co/Dept		Co.			
Phone 1		Phone 2			
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TO: List

FROM: Fleeced Shareholder

RE: HealthSouth/Ernst &amp; Young

You bring the smoke, I'll bring the mirrors. At least the market has shown the wisdom to devalue HS stock. Wish I got out in time. I have a list of questions, which I hope might interest you.

How can the HS outpatient clinics treat patients without precertification, book the revenue, and carry it after being denied payment?

How can the company carry tens of millions of dollars in accounts receivable that are well over 160 days?

How can some hospitals have NO bad debt reserves?

How did the E&Y auditors in Alabama miss this stuff?

Are these clever tricks to pump up the numbers, or something that a novice accountant could catch?

How is it that a year ago Vencor announced that the BBA would have a major impact on its Tefra reimbursement, but HS management, similarly affected by BBA cutbacks in all divisions, was mute? They were busy though, cashing out before the big hit.

Does anyone really believe that nonsense about managed care pressure? It's the Medicare, stupid.

If the accounting is slick, what do the cost reports look like?

You people and I have been hoodwinked. This note is all that I can do about it. You all can do much more, if all you do is look into it to see if what I say is true.

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